

Annual Report & Accounts 1988

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Nestor-BNA plc

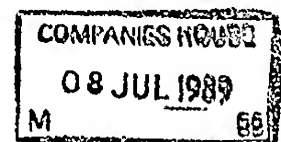
Corporate Statement

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"...The companies in the Nestor-BNA group represent an exceptional blend of resilience and opportunity for growth. This was again demonstrated by our performance in 1988. Our objectives are straightforward. We aim to retain these special characteristics while we develop and grow a group of companies operating in the health care and specialist personnel industries with a view to becoming a major force in both sectors. We will achieve this not necessarily by being the biggest, because size in itself presents no challenge, but by seeking to be the best at what we do..."

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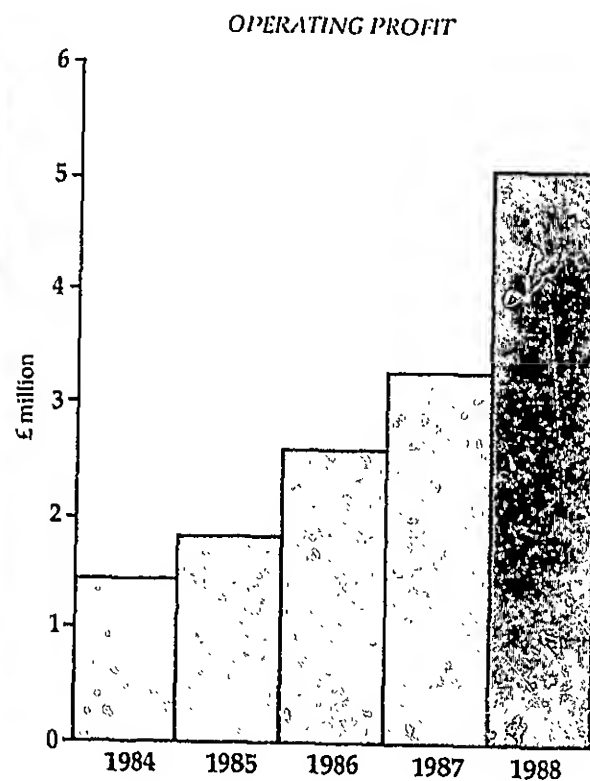
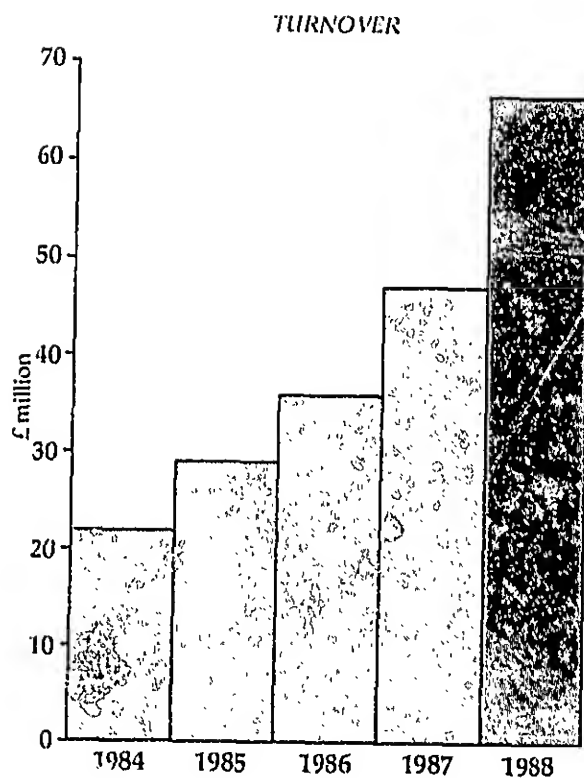
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Financial Highlights

- Turnover up 23% to £65.9 million
- Operating Profit up 31% to £5.1 million with all four divisions producing record profits
- Profit before Tax up 44% to £4.7 million
- Earnings per share up 30% to 7.7p
- Final dividend of 1.7p making a dividend for the year of 2.5p

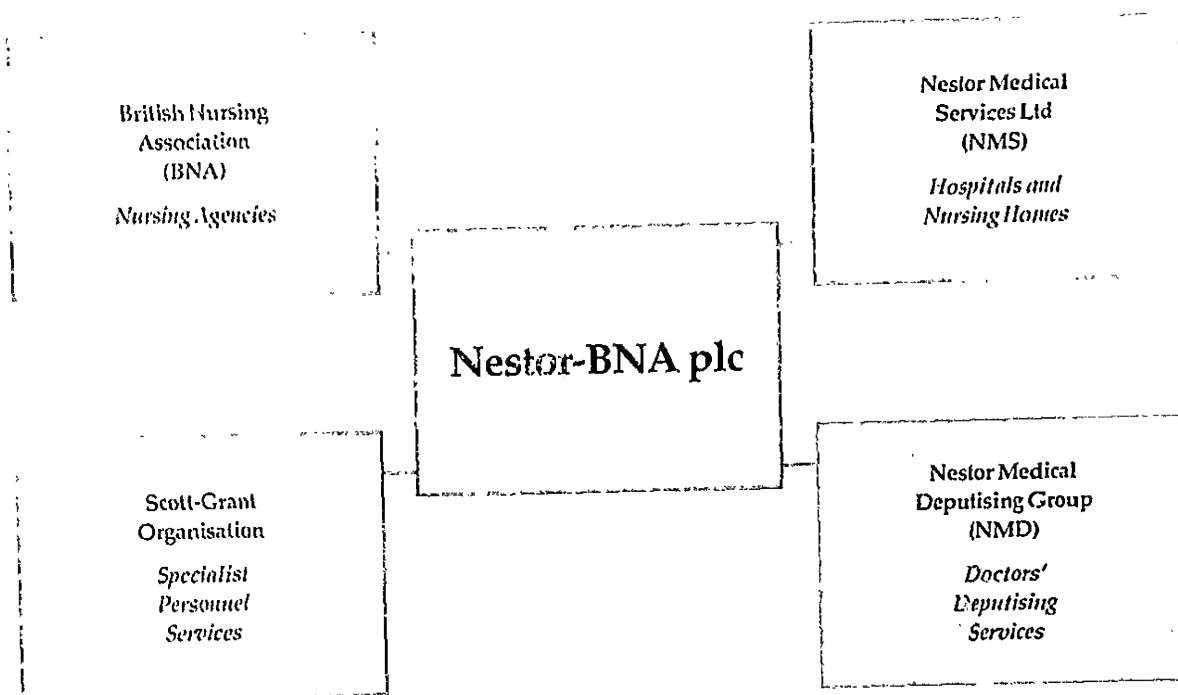
Nestor-BNA plc HISTORICAL FIVE YEAR TRADING RECORD



Directors and Advisors

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Directors	<p>Richard Hilary Burton (non-executive Chairman) Michael Greig Rogers (Group Managing Director) Robin John Orlando, Viscount Bridgeman (non-executive) John Jeffrey Cockburn, MB, ChB <i>(Managing Director, NMD)</i> Herbert John Hann (non-executive) Francis John Adrian Howard (non-executive) William Ian David Lazarus, FCA <i>(Group Finance Director)</i> Jennifer Priestley, SRN (Managing Director, NMS) Philip Punter, FCA (Finance Director, BNA) Michael Henderson Durward Smith <i>(Managing Director, BNA)</i></p>
Secretary, Head Office and Registered Office	<p>John Harold Bissell, ACIS, North Place, 82 Great North Road, Hatfield, Hertfordshire AL9 5BL.</p>
Financial Advisers	<p>Hambros Bank Limited, 41 Tower Hill, London EC3N 4HA.</p>
Stockbrokers	<p>Henderson Crosthwaite Limited, 32 St. Mary at Hill, London EC3P 3AJ.</p>
Auditors	<p>Deloitte Haskins & Sells, Chartered Accountants, 128 Queen Victoria Street, London EC4P 4JX.</p>
Solicitors	<p>Freshfields, Grindall House, 25 Newgate Street, London EC1A 7LH.</p>
Principal Bankers	<p>National Westminster Bank PLC, 30 North Audley Street, London W1Y 2HP.</p>
Registrars and Transfer Office	<p>National Westminster Bank PLC, Registrars Department, PO Box No. 82, Caxton House, Redcliffe Way, Bristol BS99 7N11.</p>



The British Nursing Association is the largest nursing agency in the country with over 54,000 nurses and carers on its register. It currently has 111 branches and provides over 150,000 hours of care each week.

The Scott-Grant Organisation is the specialist personnel division. Its primary business is the supply on a temporary basis of specialist supervisory, technical and computer personnel. It also sells its own computer software and provides lecturing and training facilities.

Nestor Medical Services owns and manages three hospitals and two nursing homes. Its areas of expertise are care of the elderly, rehabilitation, acute psychiatry and the provision of acute surgical medical facilities.

The Nestor Medical Deputising Group operates doctors' deputising services from eight centres in North West England and the West Midlands. In 1988 this division made 265,000 house calls.

Introduction

1988, our first full year since gaining a listing on The Stock Exchange, was a very satisfactory year. All our businesses produced record profits. The Group continued to expand, not only through organic growth but also by acquisition.

Results

Profit for the year before tax was £4.710 million compared with £3.274 million achieved in 1987, an increase of 44%. The 1988 figure includes the profits for the full year earned by the Scott-Grant Organisation and New Hall Hospital, our two largest acquisitions and the 1987 figures have been restated accordingly. Earnings per share for the year were 7.7p, an increase of 30% over the 1987 figure of 5.9p. Without the acquisition of Scott-Grant and New Hall, profit before tax would have been £2.7 million and earnings per share 6.8p. Your Directors regard these results as most creditable.

In spite of the difficulties arising from the nurses' pay review, to which I referred in my Interim Statement, BNA, our Nursing Agency Division, increased its operating profit by 17% to £3.0 million. Our Hospital and Nursing Home Division continued to make sound progress and even without the acquisition of New Hall Hospital, achieved an increase in operating profit of 80%. Our Doctors' Deputising Division, helped partially by the acquisition during the year of another service in the Stoke area, increased pre-tax profits by 27% to £577,000.

Acquisitions

In November 1988 we acquired the Scott-Grant Organisation, a group of four companies whose principal business is the supply on a temporary basis of specialist supervisory, technical and computer personnel. A more detailed description of Scott-Grant's business is given in the Group Managing Director's operational review. However, I am delighted to be able to report that Scott-Grant's pre-tax profit for the year of £845,000 comfortably exceeded expectations.

In December 1988 we acquired New Hall Hospital, an acute surgical hospital situated near Salisbury Wiltshire. We helped design the hospital, and had managed it successfully for the eight years since it was built. We were particularly pleased not only to acquire New Hall but also by the significant profit improvement shown over the previous year.

During the year we also acquired several more nursing agencies, an agency supplying occupational therapists, as well as one further doctors' deputising service.

I should like to welcome the staff of all these organisations to the Group.

Dividend

An interim dividend of 0.8p per share was paid on 31st August 1988 and your Board is recommending a final dividend of 1.7p, payable on 31st May 1989 to shareholders on the register on 28th April 1989 which, if approved, will result in a total dividend for the year of 2.5p. This represents an increase of 34% over the figure of 1.87p which, at the time of the Company's flotation in November 1987, was the indication given by your Directors of the dividend that would have been paid had the Company been listed for the full year.

Directors

There have been two additions to your Board in 1988. Mr William Lazarus was appointed Group Finance Director in May 1988. Having previously held senior financial positions with two American companies, he joined from Dixons Group plc where he was Group Financial Controller. We welcome the experience he brings to the Group and the valuable assistance he has already given.

I am also particularly pleased to welcome back to your Board Viscount Bridgeman, who was appointed as a non-executive Director in December 1988. Lord Bridgeman, who is a director of Guinness Mahon & Co. Limited, was previously on the Board prior to the Company's flotation.

Employees

Although we have substantial properties within the Group, our principal asset is our staff, whose loyalty to the Company, as well as their commitment and dedication to our clients, is of the highest order. Our success this past year, as in previous years, is attributable to their efforts and on your behalf, I thank and congratulate them all warmly.

Chairmanship

It is three years almost to the day since I was lucky enough to be elected as the non-executive Chairman of your Board. Since then I have seen the Company successfully float and gain a full listing, seen it grow firmly and consistently and seen the market capitalisation rise to its present healthy level. All these achievements are due to the excellent management of the Company and, as I have mentioned above, to the efforts of our employees.

It is with the greatest and most sincere regret, therefore, that I have decided that I must step down as Chairman and from the Board at the conclusion of the Annual General Meeting. The sudden upsurge in Cable Television has caused my duties as Chairman of the Cable Authority to occupy much more time than I had anticipated, and as your Company grows it will require considerably more of its Chairman's time than I, to my great regret, am able to give.

I am, however, happy to announce that your Board has unanimously agreed to my suggestion that Mr. John Hann should succeed me as Chairman and that he has accepted the offer. He has been a Director of your Company for two and a half years and his past appointment as Chairman of Boots the Chemists is well known to you. I have known him for many years and am confident that with him as non-executive Chairman the Company will continue to go from strength to strength.

Outlook

1989 has started well with the Group trading in line with expectations. Your company is excellently poised to take advantage of the substantial opportunities and challenges that lie ahead in both the healthcare and specialist personnel sectors. I have no doubt of our ability to do this, and I have every confidence that 1989 will be another year of significant growth for the Company both organically and by acquisition.

Richard Burton
CHAIRMAN.

Introduction

The companies in the Nestor-BNA Group represent an exceptional blend of resilience and opportunity for growth. This was again demonstrated by our performance in 1988.

Our objectives are straightforward. We aim to retain these special characteristics whilst we develop and grow a group of companies operating in the health care and specialist personnel industries with a view to becoming a major force in both sectors. We will achieve this not necessarily by being the biggest, because size in itself presents no challenge, but by seeking to be the best at what we do.

1988 was a very successful year for the Group, not only in terms of overall profitability, but also in the growth and diversification of the Group's activities. With the acquisition of Scott Grant we now have four operating divisions, each of which has potential to continue to achieve consistent growth in the future.

In last year's Annual Report, we set out the activities of the three divisions which made up the Group at that time. This year we have set out the achievements of these three divisions as well as a description of the activities of the Scott-Grant Organisation which, following its acquisition in November 1988, has become our fourth operating division.

Results

The results for the year were most encouraging. Not only as a Group did we achieve a substantial increase in profitability but what was equally satisfying was that all parts of the business, including the acquisitions made during the year, achieved significant increases over the previous year.

The acquisition of Scott Grant has provided us with further diversification in terms of profit contribution as demonstrated by the chart below. Although it represented our move into the specialist personnel market, the provision of health care services will continue to generate the majority of our profit for the foreseeable future.

British Nursing Association

In what was a very turbulent year for the nursing profession, the British Nursing Association (BNA) produced a most creditable performance. Turnover increased by 23% from £39.2 million to £48.3 million and operating profit rose by 17% from £2.6 million to £3.0 million.

During 1988 BNA provided 7.6 million hours of nursing care compared to 6.82 million hours in 1987 – an increase of

• Turnover up by 23% to £48.3 million.

13%. This is broken down by customer category as shown overleaf. We are currently providing over 150,000 hours of nursing and care each week which is equivalent to over 4,000 full time staff or the size of a larger NHS Health Authority. This work involves the processing of over 12,000 accounts each week and payments to about 8,000 nurses and carers. Indeed, in 1988 we carried out 571,000 assignments, an increase of 19% over the previous year.

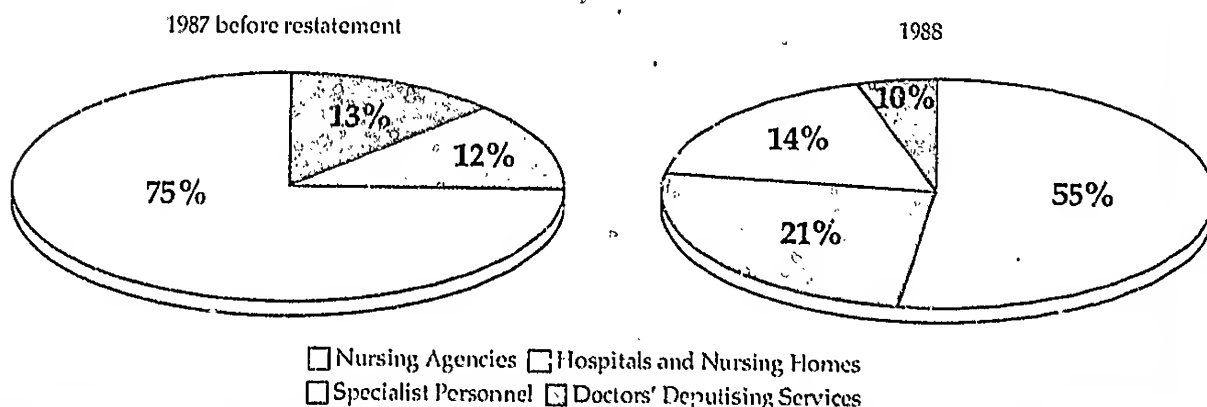
In our Interim Statement we referred to the impact on BNA's profitability of the 1988 NHS Nurses' Pay Review and the associated clinical regrading exercise. Since that time there has been a great deal of media coverage of the problems which have arisen. This exercise has affected BNA in two ways.

• Operating profit up by 17% to £3.0 million.

Firstly, for most of the year BNA was prevented from increasing its NHS rates beyond the interim increase of 4% granted in April because the regrading exercise delayed payment of the full award until November in most Health Authorities.

Secondly, the time taken to complete the regrading process and to pay the associated back-pay to NHS staff reduced significantly the movement of nurses within the NHS. Few nurses were willing to move without

Divisional Profit Contribution



Group Managing Director's Review

knowing if the post to which they were moving was graded at a higher level than the one which they were leaving.

During 1988 BNA continued to expand its branch network both through acquisitions as well as by organic growth. In May 1988 we acquired Nursaid, a three branch agency based in Stourbridge whose other branches in Worcester and Coventry were integrated into existing branches of BNA. Other agencies

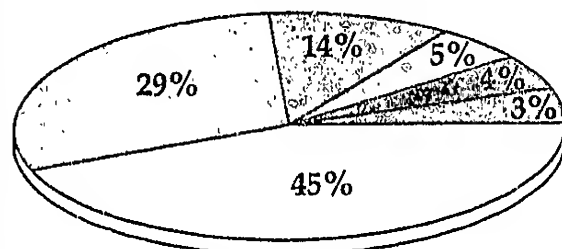
◦ In 1988 BNA provided
7.6 million hours of care

were acquired in Mitcham, Chelmsford, Frome and Gosport. Since the year end, Nurse-Call, an agency based in Colchester, Ipswich and Chelmsford has been acquired and its branches fully integrated with the BNA branches currently operating in those towns. We now have 111 branches and we see this figure continuing to grow.

For the first time in 1988, BNA bought a non-nursing agency, Cartwright Medical Services. This agency, acquired in October, specialises in placing occupational therapists principally to NHS Health Authorities. There are considerable shortages of occupational therapists and other paramedical staff and we foresee good potential in expanding this business through the present BNA network.

Investment in data processing continues with over 60 branches now equipped with microcomputers and modems enabling them to communicate directly with our Head Office computer department. If a nurse can present a time sheet to one of these branches on Wednesday, the account will be sent to the client on Thursday and the nurse paid on the Friday. The speed and reliability of the service is of great benefit to our

1988 Analysis of Hours Worked



□ NHS □ Private Patients □ Nursing Homes
□ Industry □ Private Hospitals □ Other

nurses and provides us with a significant competitive advantage over many other agencies.

In addition to the constant upgrading of its branch systems, BNA is also in the process of replacing its mainframe computer hardware and systems at its Head Office in Hatfield. As well as the installation of new ICL Model 39/35 hardware, new software is being written to provide improved management information systems

which will accommodate BNA's growth for the foreseeable future.

Nestor Medical Services

With the acquisition of New Hall Hospital in November 1988, Nestor Medical Services (NMS) now owns and operates five establishments in the South of England. Within these establishments there are four key areas of expertise:

- Care of the elderly
- Rehabilitation
- Acute psychiatry
- Provision of acute surgical medical facilities

The objective of this Division is to deliver individual treatment and care in relatively small, profitable establishments by providing excellent facilities with a committed, effective staff. Through these establishments NMS now offers the following categories of care:

◦ Turnover up by 15% to
£7.0 million.

Unsted Park Rehabilitation and Medical Centre, Godalming, Surrey. Unsted Park has 60 beds and provides treatment and care for patients recovering from various conditions or illnesses including strokes, arthritic and neurological conditions and spinal, head and back injuries.

Ticehurst House Hospital, Wadhurst, Sussex. Ticehurst House has 87 beds and provides treatment and care for patients with a variety of both long and short-term psychiatric conditions.

Thames Bank Nursing Home, Goring-on-Thames, Oxfordshire. Thames Bank is a general nursing home with 37 beds offering a full range of nursing services in elegant and comfortable surroundings.

Little Dean House, Stockbridge, Hampshire. Little Dean House, which has 28 beds, is also a general nursing home and is run on the same lines as Thames Bank.

New Hall Hospital, Salisbury, Wiltshire. New Hall Hospital which was acquired in December 1988, is an independent surgical hospital with 37 beds situated in grounds of 11 acres just outside Salisbury in Wiltshire. New Hall opened in 1980 having been designed and commissioned

by NMS. From the time it was opened until its acquisition

◦ Operating profit up by 66%
to £1.1 million.

New Hall was managed but not owned by NMS. The hospital has two operating theatres, physiotherapy, X-Ray and pathology departments and a growing out-patient business which also provides health screening facilities and mammography. The hospital provides facilities for surgical and medical treatment in the following specialities: general surgery, gynaecology, orthopaedics, eye surgery, ear nose and throat, plastic

Group Managing Director's Review

and cosmetic surgery and other medical conditions.

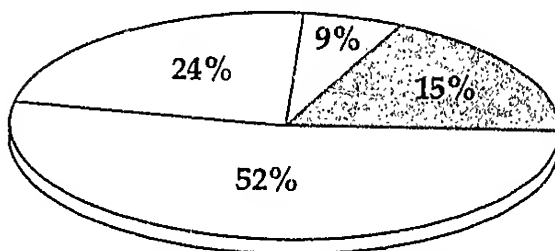
Even without the acquisition of New Hall, 1988 saw a significant improvement in the Division's profits. Consolidation and growth in the acute occupancy of both Ticehurst House and Unsted Park was a major factor. With continuous investment being made in new facilities and equipment, the movement towards a higher percentage of acute patients in these two establishments has led to an increase of 17% in overall income per bed day. This in turn has enabled

• **Over 20,000 patients treated during 1988.**

us to generate the revenue to maintain high standards

whilst simultaneously improving our margin and profitability. It is a policy we intend to pursue. At the end of 1988, NMS had 249 patient beds available as follows.

Analysis of Beds Available



☐ Rehabilitation ☐ Care of the Elderly
☐ Acute Psychiatry ☐ Acute Surgical/Medical

During 1988 we sold over 64,000 bed nights and admitted 2,400 patients. Our outpatient business also grew and we treated 18,700 outpatients.

Nestor Medical Deputising.

Nestor Medical Deputising (NMD) had a most successful year with turnover increasing by 31% from £2.9 million to £3.8 million and operating profit increasing by 27% from £454,000 to £577,000. During the year, the acquisition of another deputising service covering the Stoke area was completed bringing the number of centres we operate to eight.

Our Doctors' Deputising Services continue to represent an important part of the primary care service in the communities in which they operate and during the year three new Medical Directors were

• **Number of house calls up 27% to 265,000.**

appointed in order to maintain the high standard of care provided to our patients.

During 1988 the number of GP clients rose from 1475 to 1675 and our centres made over 265,000 housecalls compared to 208,000 in 1987.

Scott-Grant

We acquired the Scott-Grant Organisation in November. Its primary business is the supply on a temporary contract basis of specialist supervisory, technical and computer personnel to the manufacturing, service and government sectors. It sells its own computer software and provides lecturing and training facilities for a variety of courses. It is based in Manchester and has national representation through five regional offices.

The concept of contracting out or buying in specialist services personnel continues to gain strength. There is an increasing level of acceptance in companies of all sizes in industry and commerce of the benefit of using external specialist resources.

• **Turnover up 22% to £6.7 million.**

The full cost of employing specialist staff on a permanent basis is often much greater than is at first realised due primarily to the hidden costs of recruitment, fringe benefits, pensions, overhead, space, absenteeism and training. The cost of a full-time employee is substantially more than his basic salary. The cost of buying in specialist temporary staff is therefore often considerably less per hour than the equivalent cost of a full time employee.

All businesses occasionally encounter short-term manning problems. In order to meet deadlines, accommodate short-term growth, or ease any period of change, contract temporary help is often the most viable option. It is this increased acceptance of the benefits of using external specialist resources which gives Scott-Grant the growth potential and resilience to any adverse economic fluctuations. Because of its flexible specialist nature, the service offered by Scott-Grant is far less

• **Gross profit up 22% to £1.8 million.**

exposed to the periodic economic cycles which UK industry has experienced during the post-war era. Furthermore, mounting international competition, coupled with the prospect of a single European market in 1992, has meant that companies are becoming increasingly aware of and sensitive to the importance of productivity and efficiency within their organisations. Not only are they a prerequisite to profitability, they also limit the exposure to the potentially widening gap between the demand and supply of skilled labour. Companies can no longer tolerate or afford the inefficient utilisation of scarce resources. They now need and demand an effective organisation without expensive overheads. Most need specialised skills, not generalists, and a cost-effective solution to their problems. Scott-Grant

Group Managing Director's Review

provides all this.

Scott-Grant operates through four companies:

Scott-Grant Management Services

This accounted for 82% of Scott-Grant's revenues in 1988. It supplies specialist personnel to carry out a variety of organisation and methods projects and to undertake work studies with the objective of improving productivity across a broad range of activities. Personnel, all of whom have appropriate qualifications, take part in both short and long-term projects primarily on clients' premises.

Scott-Grant Computer Services

This accounted for 6% of Scott-Grant's turnover in 1988. It supplies computer consultants to carry out specific projects such as process planning, performance reporting, production control and capacity planning. It also markets and sells CEQUEL, a computer

◦ *Profit before tax of £845,000 was significantly ahead of expectations.*

software package developed by the Company to carry out this task. CEQUEL is a

suite of soft-

ware programs using the very latest microcomputer technology to provide productivity enhancements to clients' manufacturing processes.

Scott-Grant Technical Services

This accounted for 10% of sales and acts as a specialist agency providing qualified technical personnel principally to the construction and industrial sectors. Personnel vary from architects and design draughtsmen to electrical engineers and quantity surveyors.

Scott-Grant Training Services

The newest of all the businesses, Training Services accounted for just 2% of sales in 1988. It provides lecturing and other training services for clients. Courses are held either at Scott-Grant's premises, in rented accommodation or at clients' premises. Courses given include those for the Institute of Management Services Certificate, Effective Management and Organisation and Methods.

Scott-Grant had a very successful year in 1988 with sales up 23% to £6.75 million. Pre-tax profit rose to £845,000 which was significantly ahead of expectations.

The Chief Executive of Scott-Grant is Geoffrey Gibbs and we welcome the new expertise which he and his colleagues bring to the Group.

Group Outlook

The outlook for the Group has never been better. In both the health care and specialist personnel industries we see our markets growing which in turn will provide us with yet more opportunities for increasing the range of our services that both business and private communities will demand.

Demographic trends in the country's population will increase the demand for the care we offer to the elderly. The market for private health care is growing consistently and we do not see this abating.

Over the coming months there will be much discussion about the Government's White Paper on the proposed reform of the National Health Service. We believe that much of the comment made so far on the effect of this review on the private sector is premature until more detailed proposals are forthcoming. However, we regard the National Health Service as a most important customer, not a competitor. We therefore welcome any moves that may bring about a greater degree of efficiency in the operation of the National Health Service as we believe that this will bring about an increased requirement for our services.

On the personnel side, as individual skills and disciplines become more and more specialised we see an increased demand for the temporary employment of specialists as companies find it more costly to have these people on their payroll full-time. Similarly, we see an increasing demand for various categories of skilled professionals.

Conversely, for the same reasons, we see our businesses as being economically and politically resilient. The services we offer will continue to be in demand even in times of economic downturn. This we believe adds to our strength.

It is for these reasons that we are optimistic and confident that each of our four divisions will continue to grow organically whilst pursuing other opportunities in its sector. We will also continue to grow by acquisition in related areas, provided we are sure that such moves enhance the services offered by the Group. We see this as the key to future profitability, consistent growth in earnings per share and the most effective way of increasing returns to our shareholders.

Mike Rogers
Group Managing Director.

The Directors present their Report and Consolidated Financial Statements for the year ended 31st December 1988.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Nestor-BNA plc is a holding company for a group of companies in the health care and specialist personnel sectors.

The principal activities of the Group are:

- the provision of nursing services through the largest nursing agency network in the United Kingdom
- the provision of care in a medical rehabilitation hospital, a surgical hospital, a psychiatric hospital and two nursing homes
- the provision of doctors' deputising services in the North West of England and the West Midlands
- the provision, on a temporary contract basis, of specialist supervisory, technical and computer personnel through the specialist personnel division based in Manchester with five regional offices.

In November 1988 the Company acquired the Scott-Grant Organisation for an initial consideration of £4.13 million satisfied by the issue of 4,536,052 Ordinary Shares. Since the year end, under the terms of the acquisition agreement additional consideration of £745,875 has been paid by the issue of a further 493,956 Ordinary Shares.

In December 1988 the Company acquired Salisbury Independent Hospital and Medical Services Limited, the owner of New Hall Hospital, for £3.26 million. This consideration was satisfied by the issue of 1,000,000 Ordinary Shares and £2.3 million in cash.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £3,186,000. An interim dividend of 0.8p per Ordinary Share was paid on 31st August 1988. The Directors recommend a final dividend of 1.7p per Ordinary Share. Following the payment of all dividends for the year, £1,894,000 will have been transferred to reserves.

FIXED ASSETS

Information relating to the changes in fixed assets is given in Note 14 to the Financial Statements.

DIRECTORS

The Directors who served during the year were:

*R. H. Burton

M. G. Rogers

*Viscount Bridgeman (Appointed 24th November 1988)

J. J. Cockburn

*H. J. Hann

*F. J. A. Howard

W. I. D. Lazarus (Appointed 24th May 1988)

J. Priestley

P. Punter

M. H. D. Smith

*Non-Executive Directors

In accordance with the Articles of Association, W. I. D. Lazarus and Viscount Bridgeman will retire at the Annual General Meeting, and being eligible, will offer themselves for re-election.

The following Directors will retire by rotation at the Annual General Meeting, and being eligible, will offer themselves for re-election:

H. J. Hann

M. H. D. Smith

W. I. D. Lazarus has a service agreement with the Company which may be terminated by either party with twelve months' notice. M. H. D. Smith has a three year contract with the Company expiring in November 1990. Neither Viscount Bridgeman nor H. J. Hann has a service agreement with the Company or any subsidiary.

DIRECTORS' INTERESTS

The beneficial and family interests of the Directors in the Share Capital of the Company were:

	Ordinary 10p Shares		Employee Share Option Scheme	
	31.12.88 Number	31.12.87 Number	31.12.88 Number	31.12.87 Number
R. H. Burten	6,666	6,666	—	—
M. G. Rogers	980,230	1,055,230	58,000	58,000
Viscount Bridgeman	22,416	22,416	—	—
J. J. Cockburn	40,000	56,856	38,000	38,000
H. J. Hann	33,333	33,333	—	—
F. J. A. Howard	6,666	6,666	—	—
W. I. D. Lazarus	1,000	—	—	—
J. Priestley	505,150	505,150	38,000	38,000
P. Punter	156,911	156,911	33,000	33,000
M. H. D. Smith	156,911	156,911	48,000	48,000

Notes:

- 1) None of the Directors has any non-beneficial interest in the Company's Share Capital.
- 2) At 12th April 1989, the beneficial and family holdings of Ordinary Shares in the Company of some Directors had changed. Their revised holdings are as follows:

	Ordinary 10p Shares
M. G. Rogers	976,334
J. J. Cockburn	35,000
H. J. Hann	25,000
P. Punter	151,000

At 12th April 1989, further options to acquire Ordinary Shares had been granted to the following Directors:

	Number
M. G. Rogers	20,000
J. J. Cockburn	6,000
W. I. D. Lazarus	65,000
J. Priestley	6,000
P. Punter	5,000
M. H. D. Smith	8,000

Between 31st December 1988 and 12th April 1989, there were no other changes in the interests of the Directors in the Share Capital of the Company.

- 3) None of the Directors had any beneficial interest in any contracts or arrangements (apart from contracts of service) to which the Company or any subsidiary was party during or at the end of the financial period.

SHARE CAPITAL

Details of the changes in the authorised and issued share capital of the Company during the year ended 31st December 1988 are given in Note 22 to the Financial Statements.

SHARE OPTION SCHEME

Information regarding share options is given in Note 28 to the Financial Statements.

SUBSTANTIAL SHAREHOLDERS

On 12th April 1989, the following shareholders were interested in 5% or more of the Company's ordinary share capital:

<i>Shareholder</i>	<i>Number</i>	<i>Percentage of issued share capital</i>
3i plc	6,459,508	15.5%
The Prudential Assurance Co. Ltd	3,253,552	7.8%
Citicorp Capital Investors Europe Ltd	2,789,423	6.7%

DIRECTORS' AUTHORITY TO ISSUE SHARES

A Special Resolution will be put to the Annual General Meeting on 23rd May 1989, seeking authority for the Directors to issue shares of the Company within certain restrictions as set out in the Notice of that Meeting. This Resolution is in similar terms to the corresponding Resolution in last year's Notice of Annual General Meeting, save that it also extends to the issue of shares pursuant to the relevant additional authority to allot shares granted at the Extraordinary General Meeting held last December in connection with the increase of the Company's authorised share capital from £5,000,000 to £6,000,000. The figure of £206,000 referred to in the Resolution represents approximately five per cent. of the Company's present issued share capital. If approved by the Meeting, this power will continue until the next Annual General Meeting of the Company.

FUTURE DEVELOPMENTS

The Group intends to continue to grow both organically as well as by acquisition when suitable opportunities arise.

POST BALANCE SHEET EVENTS

On January 7th 1989, the Company acquired Nurse-Call, a nursing agency business for £419,539. Details are provided in Note 24 to the Financial Statements.

On April 6th 1989, the Company issued and allotted 493,956 Ordinary Shares to the vendors of the Scott-Grant Organisation under the terms of the Scott-Grant acquisition agreement.

CHARITABLE AND POLITICAL DONATIONS

No charitable or political donations in excess of £200 were made during the year.

TAXATION STATUS

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

ARTICLES OF ASSOCIATION

Although the Directors currently have no plans to issue further classes of shares, Article 9 of the Company's Articles of Association contains an unnecessary restriction should the Company at any time wish to make such an issue. Whilst this restriction is of no practical relevance for as long as the Company only has a single class of ordinary share in issue, the opportunity is being taken to rectify the position at the forthcoming Annual General Meeting by proposing an appropriate Special Resolution. This is set out in item 9 under Special Business in the Notice of Meeting.

EMPLOYMENT OF DISABLED EMPLOYEES

It is the Group's policy that disabled persons should be considered for employment, training, career development and promotion on the basis of their abilities and aptitudes, in common with all employees.

EMPLOYEE INVOLVEMENT

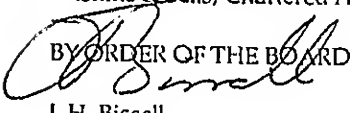
Various methods are used by the Company to ensure that all its employees are provided with information concerning them as employees, particularly the economic and financial factors affecting the Company's performance.

Internal circulars and newsletters are issued regularly and regular consultation and discussion between management and their staff is strongly encouraged.

253 Employees have now been granted options under the Group Employee Share Option Scheme.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the re-appointment of Deloitte Haskins & Sells, Chartered Accountants, as auditors to the Company will be put to the Annual General Meeting.


BY ORDER OF THE BOARD

J. H. Bissell
SECRETARY

12th April 1989.

Non-Executive Directors

RICHARD BURTON

was appointed non-executive Chairman in May 1986. A barrister, he is currently chairman of The Cable Authority and was previously chairman of Gillette Industries Limited until his retirement in 1984.

VISCOUNT BRIDGEMAN

joined the Board in November 1988. He is a Director of Guinness Mahon & Co. Limited and was previously on the Board prior to the Company's flotation. He was formerly a director of Henderson Crosthwaite Limited and is currently a Special Trustee for Hammersmith and Acton Hospitals.

JOHN HANN

joined the Board in November 1986. He was previously chairman of Boots the Chemist Limited until his retirement in 1984. He is a non-executive director of Clifford Foods plc and non-executive chairman of Schwarzkopf Limited.

FRANCIS HOWARD

joined the Board in June 1987. He is a director of Howard Perry Associates Limited, business and financial consultants. He was previously finance director of Charter Consolidated PLC and is currently a non-executive director of Hawtal Whiting Holdings plc.

In addition to their normal duties as Board Members the non-executive Directors constitute two special purpose committees: The Audit Committee and The Compensation Committee.

Auditors' Report

TO THE MEMBERS OF Nestor-BNA plc

We have audited the financial statements on pages 15 to 30 in accordance with the approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Company at 31 December 1988 and of the profit and source and application of funds of the Group for the year then ended and comply with the Companies Act 1985.

DELOITTE HASKINS & SELLS
Chartered Accountants
London

Deloitte Haskins & Sells

12th April 1989

Consolidated Profit and Loss

for the Year Ended 31st December 1988

	Notes	1988 £000	1987 £000
TURNOVER			
Cost of Sales	2	65,853	53,706
GROSS PROFIT		(52,137)	(42,611)
Administrative Expenses		13,716	11,095
OPERATING PROFIT		(8,666)	(7,235)
Investment Income	3,4,5	5,050	3,860
Exceptional Income	6	99	81
Interest Payable	7	—	229
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	(439)	(896)
Taxation	16	4,710	3,274
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	9	(1,524)	(1,145)
Extraordinary Item		3,186	2,129
PROFIT FOR THE YEAR	10	—	(581)
Dividends	12	3,186	1,548
RETAINED PROFIT FOR THE YEAR		(1,292)	(1,231)
EARNINGS PER SHARE	11,23	1,894	317
	13	7.7p	5.9p

Consolidated Balance Sheet as at 31st December 1988

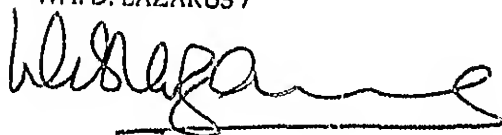
	Notes	1988 £000	1987 £000
FIXED ASSETS:			
Tangible Fixed Assets	14	11,813	11,358
CURRENT ASSETS:			
Stocks	17	158	136
Debtors	18	9,858	7,603
Cash at Bank and in Hand		745	916
		10,761	8,655
CREDITORS:			
Amounts falling due within one year	19	(11,898)	(7,610)
NET CURRENT (LIABILITIES)/ASSETS		(1,137)	1,045
TOTAL ASSETS LESS CURRENT LIABILITIES		10,676	11,403
CREDITORS:			
Amounts falling due after more than one year	20	(2,000)	(3,589)
PROVISIONS FOR LIABILITIES AND CHARGES	21	(64)	(70)
		8,607	8,744
CAPITAL AND RESERVES:			
Called up Share Capital	22(a)	4,077	4,076
Shares to be allotted	22(b)	49	—
Share Premium Account	23	3,416	3,410
Revaluation Reserve	23	—	993
Profit and Loss Account	23	1,065	265
		8,607	8,744

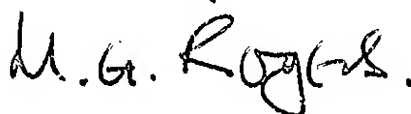
The financial statements on pages 15 to 30 were approved by the Board of Directors on 12th April 1989 and were signed on its behalf by:

M. G. ROGERS

} DIRECTORS

W. I. D. LAZARUS





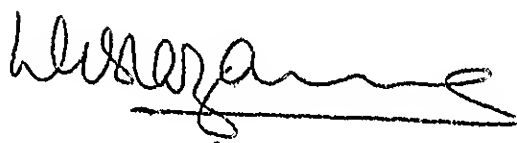
Holding Company Balance Sheet as at 31st December 1988

17

	Notes	1988 £000	1987 £000
FIXED ASSETS:			
Investments	16	<u>11,548</u>	<u>10,435</u>
CURRENT ASSETS:			
Debtors	18	8,100	5,601
Cash at Bank and in Hand		<u>1</u>	<u>139</u>
		8,101	5,740
CREDITORS:			
Amounts falling due within one year	19	<u>(3,957)</u>	<u>(759)</u>
NET CURRENT ASSETS		<u>4,144</u>	<u>4,981</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,692</u>	<u>15,416</u>
CREDITORS:			
Amounts falling due after more than one year	20	<u>(2,000)</u>	<u>(2,000)</u>
		<u>13,692</u>	<u>13,416</u>
CAPITAL AND RESERVES:			
Called up Share Capital	22(a)	4,077	3,523
Shares to be allotted	22(b)	49	—
Share Premium Account	23	3,416	3,899
Merger Reserve	23	4,238	5,250
Profit and Loss Account	23	<u>1,912</u>	<u>744</u>
		<u>13,692</u>	<u>13,416</u>

The financial statements on pages 15 to 30 were approved by the Board of Directors on 12th April 1989 and were signed on its behalf by:

M. G. ROGERS }
W. I. D. LAZARUS } DIRECTORS


M. G. Rogers.

Consolidated Source and Application of Funds for the Year Ended 31 December 1988

	1988 £000	1987 £000
Source of funds:		
Profit on ordinary activities before taxation	4,710	3,274
Adjustment for items not involving the movement of funds:		
Depreciation	585	485
Funds generated from operations	5,295	3,759
Funds from other sources:		
Disposal of fixed assets	103	135
Net proceeds of share issues	7	4,403
Total source of funds	5,405	8,297
Application of funds:		
Dividends paid	1,132	681
Purchase of fixed assets	1,201	1,158
Tax paid	1,648	252
Repayment of long term loans	1,589	4,050
Extraordinary item	—	581
Goodwill acquired	968	385
Premium paid on preference shares in respect of merged businesses	1,012	—
Total application of funds	7,550	7,107
Net (application)/source of funds	(2,145)	1,190
The net (application)/source of funds is represented by the following changes in working capital:		
Stocks	22	30
Debtors	2,071	1,580
Creditors falling due within one year	(1,074)	(444)
	1,019	1,166
Movements in net liquid funds:		
Cash at Bank and in Hand	(171)	362
Bank overdraft	(2,993)	(338)
Net (decrease)/increase in working capital	(2,145)	1,190

NOTE 1

Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings. Accounts are made up to the nearest Friday to the 31st December each year.

Basis of Consolidation

The Group financial statements comprise a consolidation of the accounts of the Company and all its subsidiaries. Merger accounting principles are followed in respect of acquisitions which satisfy the conditions set out in Statement of Standard Accounting Practice Number 23. Details of mergers are set out in Note 16. In accordance with the principles of merger accounting, comparative data is restated where merger accounting has been applied, and accounting policies are adjusted to be consistent with those of the Group.

Depreciation

Depreciation of fixed assets is provided where it is necessary to reflect a reduction from book value to estimated residual value over the useful life of the asset to the Group. It is the Group's policy to maintain its properties in a state of good repair, and in the case of freehold properties, the Directors consider that the lives of these properties and their residual values are such that their depreciation is not significant. Accordingly, no depreciation is provided on freehold properties.

Other fixed assets are written off by equal instalments over their anticipated useful lives of between three and eight years.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Deferred Taxation

Deferred Taxation is provided on the liability method where, in the opinion of the Directors, it is probable that the liability will crystallise in the foreseeable future.

Goodwill

Goodwill arises when the consideration paid for a business or company exceeds the fair value of the net tangible assets acquired. In the acquiring company's accounts any goodwill arising is written off immediately against reserves at the date of acquisition.

Contributions to Pension Funds

Contributions to pension funds are determined on the basis of recommendations made by independent qualified actuaries and are charged to the Profit and Loss Account as such contributions become payable.

NOTE 2

Turnover

Turnover represents the amount invoiced net of value added tax. In previous years turnover represented the amount invoiced net of value added tax except for the Nursing Agency Division whose turnover figure represented commission and placement fees receivable net of value added tax. If turnover had been stated on the same basis as in previous years, it would have been £22,328,000 (1987: £16,028,000).

The amount attributable to each market supplied was:

	1988 £000	1987 £000
United Kingdom	65,826	53,542
Other Countries	27	164
	<u>65,853</u>	<u>53,706</u>
Nursing Agencies	48,277	39,175
Hospitals and Nursing Homes	6,991	6,103
Specialist Personnel	6,740	5,503
Doctors' Deputising Services	3,845	2,925
	<u>65,853</u>	<u>53,706</u>

NOTE 3

Operating Profit

	1988 £000	1987 £000
Nursing Agencies	3,006	2,565
Hospitals and Nursing Homes	1,132	681
Specialist Personnel	774	334
Doctors' Deputising Services	577	454
Central Costs less other income	(439)	(174)
	<u>5,050</u>	<u>3,860</u>

Operating profit is stated after charging/(crediting):

Depreciation	585	485
Hire of plant and machinery	115	81
Auditors' remuneration	64	55
Rents received net of outgoings	(30)	(10)
Rent of premises	372	281

Notes to the Financial Statement for the year Ended 31st December 1987

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NOTE 4

Employees

1988 £000	1987 £000
--------------	--------------

7,176	6,159
531	438
211	249
7,918	6,846
Number	Number
1,393	1,246

- (a) Employee Costs
Wages and Salaries
Social Security Costs
Other Pension Costs

- (b) Employee Numbers
The average number of persons employed by the Group during the year was:

- (c) Higher Paid Employees
The number of employees other than Directors whose emoluments (excluding pension contributions) were in excess of £30,000 was:
- | | | |
|-----------------|---|---|
| £30,001-£35,000 | 2 | 1 |
| £35,001-£40,000 | 2 | 2 |
| £40,001-£45,000 | 2 | 3 |
| £45,001-£50,000 | 1 | 1 |

1988 £000	1987 £000
--------------	--------------

NOTE 5

Directors

Employee costs include the following remuneration in respect of Directors of Nestor-BNA plc:

- Fees
Other emoluments (including pension contributions)

20	-
392	296
412	296

The Directors' remuneration disclosed above includes amounts (excluding pension contributions) paid to:

- The Chairman
The Highest Paid Director

12	9
90	86

The number of other Directors who received fees and other emoluments (excluding pension contributions) in the following ranges was:

- £0 -£5,000
£5,001 -£10,000
£10,001-£15,000
£15,001-£20,000
£20,001-£25,000
£25,001-£30,000
£30,001-£35,000
£35,001-£40,000
£40,001-£45,000
£45,001-£50,000
£50,001-£55,000
£55,001-£60,000
£60,001-£65,000
£65,001-£70,000

Number	Number
1	4
2	-
-	1
3	1
1	2
1	-

NOTE 6		1988	1987
Investment Income		£000	£000
Bank interest receivable		87	71
Other interest receivable		12	10
		<u>99</u>	<u>81</u>
NOTE 7		1988	1987
Exceptional Income		£000	£000
Profit on sale of cottages at Ticehurst House Private Clinic Ltd		-	252
Sale Proceeds		-	200
Valuation		-	52
		-	177
Revaluation Reserve realised		-	<u>229</u>
NOTE 8		1988	1987
Interest Payable		£000	£000
On Bank loans, overdrafts and other loans wholly repayable within 5 years		437	639
On other loans		2	257
		<u>439</u>	<u>896</u>
NOTE 9		1988	1987
Taxation		£000	£000
Corporation Tax at 35% based on adjusted profits for the year		1,553	1,163
Overprovision in previous years		(28)	(56)
Deferred Tax		(1)	38
		<u>1,524</u>	<u>1,145</u>
NOTE 10		1988	1987
Extraordinary Item		£000	£000
Extraordinary Expenses: Flotation Costs		-	581
Less: Taxation		-	-
		<u>-</u>	<u>581</u>

Notes to the Financial Statements for the Year Ended 31st December 1988

NOTE 11

Retained Profit for the Year

	1988 £000	1987 £000
Profit dealt with in the accounts of the Holding Company	1,168	147
Profit retained by Subsidiary Companies	726	170
	<u>1,894</u>	<u>317</u>

Under the provisions of Section 228(7) of the Companies Act 1985, the Company has not published its own Profit and Loss Account.

NOTE 12

Dividends

	1988 £000	1987 £000
Dividends paid:		
Ordinary 10p Shares: 0.8p per share (1987: Nil)		
Cumulative Redeemable Preferred Ordinary 1p Shares: Nil (1987: 7.71p per share)	282	—
"A" Ordinary 1p Shares: Nil (1987: 2.13p per share)	—	659
Paid by Scott-Grant prior to merger	—	22
Dividends proposed:	300	550
Ordinary 10p Shares: 1.7p per share (1987: Nil)		
	<u>710</u>	<u>—</u>
	<u>1,292</u>	<u>1,231</u>

NOTE 13

Earnings Per Share

	1988	1987
Earnings per Share	7.7p	5.9p

The earnings per share is calculated on earnings of £3,186,177 (1987: £2,129,026) and on the weighted average number of shares of 41,266,626 (1987: 35,890,217). Shares issued in connection with the mergers with New Hall Hospital and Scott-Grant have been included in the calculations as if they were in issue for the whole of 1988 and 1987. Further shares have been issued to the vendors of Scott-Grant following the determination of the base consideration which was dependent on Scott-Grant's results for 1988. These shares have been included in the earnings per share calculation for 1988.

No figure for fully diluted earnings per share for 1988 is shown since its difference from the basic earnings per share is less than 5%.

NOTE 14

Tangible Fixed Assets – Group	Freehold Land and Buildings £000	Plant, Equipment, Fixtures & Fittings £000	Total £000
Cost or Valuation:			
At 1st January 1988	9,233	3,618	12,851
Additions	98	1,103	1,201
Disposals	(68)	(508)	(576)
At 31st December 1988	9,263	4,213	13,476
Depreciation:			
At 1st January 1988	–	1,493	1,493
Eliminated on Disposals	–	(415)	(415)
Charge for the year	–	585	585
At 31st December 1988	–	1,663	1,663
Net Book Value:			
At 31st December 1988	9,263	2,550	11,813
At 31st December 1987	9,233	2,125	11,358

The net book value of fixed assets held at 31st December 1988 was represented by:

	£000	£000	£000
1986 Valuation	62	–	62
1987 Valuation	6,325	–	6,325
1988 Valuation	2,500	–	2,500
Written Down Value	376	2,550	2,926
	9,263	2,550	11,813

All land and buildings owned by the Group at 25th March 1986 were valued by John D Wood, Chartered Surveyors, on the basis of existing use.

Land and buildings owned by Nestor Medical Services Limited and Nestor Medical Personnel Limited were valued at 10th November 1987 by John D Wood, Chartered Surveyors, on the basis of open market value.

Land and buildings owned by New Hall Hospital were valued by John D Wood, Chartered Surveyors, on 11th November 1988 in connection with the merger and are included at the revalued amount in both the 1988 and 1987 Consolidated Balance Sheets.

	1988 £000	1987 £000
If land and buildings had not been valued, they would have been included at their original cost of	4,749	4,719

Tangible Fixed Assets – Company

No Tangible Fixed Assets were held by the Holding Company at 31st December 1988 (1987: Nil).

NOTE 15	1988	1987
Capital Commitments - Group	£000	£000
Capital expenditure that has been contracted but not provided for:	106	84
Capital expenditure that has been authorised by the Directors but not yet contracted for:	487	137
	<u>593</u>	<u>221</u>

NOTE 16	£000
Fixed Assets Investments - Company	
At 1st January 1988	10,435
Additions:	
Scott-Grant	502
New Hall Hospital	611
At 31st December 1988	<u>11,548</u>

The following principal subsidiary companies are wholly owned, incorporated, and operate in Great Britain.

Company	Business
Nestor Medical Personnel Limited	
British Nursing Co-operations Limited	Nursing Agencies
(Trading as British Nursing Association or BNA)	
Nestor Medical Services Limited	
Nestor Nursing Homes Limited	Hospitals and
Ticehurst House Private Clinic Limited	Nursing Homes
Salisbury Independent Hospital and Medical Services Limited	
(Trading as New Hall Hospital)	
Nestor Medical Deputising Group Limited	
Liverpool Locums Limited	Doctors'
Birmingham Locums Limited	Deputising
On-Call Limited	Services
Medical Relief Agency (Stoke-on-Trent) Limited	
Scott-Grant (Management Services) Limited	
Scott-Grant (Computer Services) Limited	
Scott-Grant (Technical Services) Limited	Specialist
Scott-Grant (Training Services) Limited	Personnel
Scott-Grant (Financial Services) Limited	
Scott-Grant Limited	

NOTE 16

Fixed Asset Investment – Company continued

On 25th November 1988 the Group merged with Scott-Grant. The initial consideration of £4,125,000 was satisfied by the issue of 4,536,052 new Ordinary Shares of 10p each and subsequently a further payment of £745,875 has been made by the issue of 493,956 more new Ordinary Shares of 10p each. These payments, totalling £4,870,875, represent 75 per cent of the base consideration payable for Scott-Grant. The total base consideration equates to ten times post-tax profit for the year ended 31st December 1988, after making certain adjustments for non-recurring items, plus the value of net tangible assets at completion. Based on audited figures for the year ended 31st December 1988, the base consideration has been adjusted to £6,494,500.

The balance of the base consideration will be paid in two instalments early in 1990 and 1991 provided that pre-tax profit for the years ending 31st December 1989 and 1990 each exceeds that for 1988 by 22 per cent and 35 per cent respectively. In the event that the pre-tax profit falls short of these figures, then the relevant instalment shall be reduced by £5 for every £1 of shortfall.

If pre-tax profit for the years ending 31st December 1989 and 1990 exceeds that for 1988 by more than 33 per cent and 47 per cent respectively, then additional payments will be made early in 1990 and 1991 of £5 for every £1 of such excess.

The deferred payments and any additional payments are subject to a combined maximum of £5 million and will be satisfied by a combination of Ordinary Shares and Unsecured Loan Notes in the Company. Under these arrangements, at least 90 per cent of the minimum payment for Scott-Grant will be satisfied by the issue of Ordinary Shares in the Company.

On 7th December 1988 the Group merged with Salisbury Independent Hospital and Services Limited, the owner of New Hall Hospital. The consideration for the entire ordinary share capital of that company was satisfied by the issue of 1,000,000 new Ordinary Shares in the Company and £10,700 in cash. The balance of the consideration of £2.31 million was in settlement for loans and preference shares.

Both these transactions have been consolidated in accordance with merger accounting principles under which the results of Scott-Grant and New Hall Hospital have been included for the whole of 1988, with the Accounts for 1987 being restated accordingly. Up to the date of their mergers, Scott-Grant and New Hall Hospital had generated pre-tax profits of £746,000 and £218,000 respectively. The pre-tax profits of Scott-Grant and New Hall Hospital for the year ended 31st December 1987 were £382,000 and £98,000 respectively.

NOTE 17

	GROUP		COMPANY	
	1988	1987	1988	1987
	£000	£000	£000	£000
Stocks				
Consumables	10	—	—	—
Goods for Resale	148	136	—	—
	<u>158</u>	<u>136</u>	<u>—</u>	<u>—</u>

Notes to the Financial Statements for the Year Ended 31st December 1988

NOTE 18

Debtors	GROUP		COMPANY	
	1988 £000	1987 £000	1988 £000	1987 £000
Trade Debtors	9,224	6,614	-	-
Amounts owed by Group Companies	-	-	6,273	3,702
Other Debtors	176	527	2	-
Prepayments and Accrued Income	458	462	2	-
Dividends Receivable	-	-	1,392	1,394
Corporation Tax	-	-	431	505
	<u>9,358</u>	<u>7,603</u>	<u>8,100</u>	<u>5,601</u>

NOTE 19

Creditors: Amounts Falling Due Within One Year	GROUP		COMPANY	
	1988 £000	1987 £000	1988 £000	1987 £000
Bank Loans and Overdrafts	4,452	1,459	-	-
Trade Creditors	2,899	1,711	-	-
Amounts owed to Group Companies	-	-	2,825	378
Dividends Payable	710	550	710	-
Corporation Tax	2,087	2,026	-	-
Other Tax and Social Security	632	542	-	-
Other Creditors	417	597	148	337
Accruals and Deferred Income	685	717	274	44
Current Instalment of Long Term Loan	16	8	-	-
	<u>11,898</u>	<u>7,610</u>	<u>3,957</u>	<u>759</u>

The Group is in the process of replacing approximately £1 million of short term bank loans and overdrafts with loans which will fall due after more than one year.

NOTE 20

Creditors: Amounts falling Due after more than One Year	GROUP		COMPANY	
	1988 £000	1987 £000	1988 £000	1987 £000
Bank Loan	2,000	2,000	2,000	2,000
Other Loans	-	1,589	-	-
	<u>2,000</u>	<u>3,589</u>	<u>2,000</u>	<u>2,000</u>

The bank loan and overdrafts are secured by floating charges over the Group's assets and fixed charges over certain properties, and bear interest at rates linked to LIBOR and base rates respectively. The bank loan of £2 million is repayable by instalments between 1991 and 1994 as follows:

Between 2-5 years	£000
After 5 years	1,070
	<u>930</u>
	<u>2,000</u>

Notes to the Financial Statements for the Year Ended 31st December 1988

NOTE 21

Provisions for Liabilities and Charges	GROUP		COMPANY	
	1988 £000	1987 £000	1988 £000	1987 £000
Deferred Taxation Provision				
At 1st January 1988	70	28	-	-
Arising on acquisition of subsidiaries	-	4	-	-
(Released)/Provided in the year	(1)	38	-	-
At 31st December 1988	69	70	-	-
Potential Liability	242	174	-	-

The potential liability represents principally the notional tax on the amount by which capital allowances exceed accumulated depreciation.

In addition to the potential liability shown above, a taxation charge of approximately £1 million would arise on chargeable gains in the event of the Group's properties being realised at valuations at which they are included in the Balance Sheet at 31st December 1988.

NOTE 22(a)

Called Up Share Capital	Authorised		Allotted, Issued and Fully Paid	
	Number	£000	Number	£000
Ordinary 10p Shares				
Balance at 1st January 1988	50,000,000	5,000	35,229,365	3,523
Issued in connection with the merger with New Hall Hospital	-	-	1,000,000	100
Issued in connection with the merger with Scott-Grant	-	-	4,536,052	453
Authorised during the year	50,000,000	5,000	40,765,417	4,076
Issued during the year	10,000,000	1,000	-	-
Balance at 31st December 1988	60,000,000	6,000	40,772,670	4,077

NOTE 22(b)

Shares to be Allotted

	Number	£000
Ordinary 10p Shares to be allotted under the terms of the Scott-Grant acquisition agreement	493,956	49
These shares were allotted and issued on 6th April 1989.		

NOTE 23	Share Premium Account	Revaluation Reserve	Merger Reserve	Reserve arising on acquisition of merged businesses	Profit/ (Loss) Account	Total
Reserves - Group	£000	£000	£000	£000	£000	£000
As previously reported at 31st December 1987	3,899	-	-	-	166	4,065
Adjustments in respect of:						
- New Hall Hospital	-	1,003	443	-	(199)	1,247
- Scott-Grant	-	-	(453)	-	298	(155)
Acquisition costs written off	(489)	-	-	-	-	(489)
Merger Reserve deficit on consolidation written off	-	(10)	10	-	-	-
Restated Reserves at 31st December 1987	3,410	993	-	-	265	4,668
Reserve arising on acquisition of merged businesses	-	-	-	(1,012)	-	(1,012)
Shares to be allotted	-	-	(49)	-	-	(49)
Goodwill on acquisitions written off	-	-	-	-	(968)	(968)
Sundry adjustment	-	(58)	-	-	-	(58)
Share premium on issued shares	6	-	-	-	-	6
Retained profit for the year	-	-	-	-	1,894	1,894
Merger Reserve deficit on consolidation written off	-	(935)	49	1,012	(126)	-
At 31st December 1988	3,416	-	-	-	1,065	4,481
Reserves - Company	£000	£000	£000	£000	£000	£000
At 31st December 1987	3,899	5,250	-	-	744	9,893
Acquisition costs written off	(489)	-	-	-	-	(489)
Reserve arising on merger	-	-	(1,012)	-	-	(1,012)
Share premium on issues	6	-	-	-	-	6
Retained Profit for the Year	-	-	-	-	1,168	1,168
Reserve arising on merger written off	-	(1,012)	1,012	-	-	-
At 31st December 1988	3,416	4,238	-	-	1,912	9,566

NOTE 24**Post Balance Sheet Events**

On the 7th January 1989, the British Nursing Association acquired the business of Nurse-Call, a three branch nursing agency based in East Anglia for £419,539. The consideration was satisfied by the issue of 388,988 new Ordinary Shares of 10p each with the balance of £50,000 being paid in cash.

NOTE 25**Contingent Liabilities**

The Company has given guarantees to banks in respect of a £2 million overdraft facility available to Nestor-BNA plc and its subsidiary companies.

NOTE 26**Other Financial Commitments**

The Group occupies numerous premises operated under leases whose terms, conditions and expiry dates vary considerably. The aggregate annual rental of these premises amounted to £372,000 in 1988.

NOTE 27**Pension Costs**

Employees who are eligible for membership may join The Nestor-BNA plc Retirement Benefits Scheme. The Scheme is administered by Trustees separately from the affairs of the Group and is contracted out of the additional component of the State Pension Scheme. Employees of New Hall Hospital and Scott-Grant may join the scheme on the 1st May 1989, if eligible for membership.

The manager of the Scheme is the Eagle Star Insurance Company. The Pension Actuary of the Eagle Star Insurance Company carried out an actuarial valuation of the Scheme at 30 April 1986, and concluded that at that date the assets of the Scheme would have been sufficient to cover the liabilities arising in respect of the preserved benefits and accrued benefits based on pensionable services to, and pensionable earnings at, the date of valuation.

NOTE 28**The Nestor-BNA Employee Share Option Scheme**

Options for 1,260,877 Ordinary 10p Shares had been issued to Nestor-BNA Directors and employees at 31st December 1988. The options are exercisable subject to certain conditions from October 1990 to October 1997 at 75 pence per share.

NOTICE IS HEREBY GIVEN that the third Annual General Meeting of the Company will be held at Hambros Bank Limited, 41 Tower Hill, London EC3N 4HA, on Tuesday 23rd May 1989, at 12 noon for the following purposes:

Ordinary Business

1. To receive and consider the Accounts, together with the reports of the Directors and Auditors, for the year ended 31st December 1988.
2. To declare a final dividend.
3. To re-elect as a Director Mr. H. J. Hann who retires by rotation.
4. To re-elect as a Director Mr. M. H. D. Smith who retires by rotation.
5. To elect as a Director Mr. W. J. D. Lazarus who was appointed since the last Annual General Meeting.
6. To elect as a Director Viscount Bridgeman who was appointed since the last Annual General Meeting.
7. To re-appoint Deloitte Haskins & Sells as Auditors to act as such until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

To transact any other ordinary or routine business of the Company.

Special Business

8. To consider and, if thought fit, to pass the following Resolution which will be proposed as a Special Resolution:
THAT the Directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of that Act) pursuant to the authorities respectively conferred by paragraph (E) of Special Resolution numbered 2 passed at the Extraordinary General Meeting of the Company held on 23rd October 1987 and by Ordinary Resolution numbered 2 passed at the Extraordinary General Meeting of the Company held on 6th December 1988, as if sub-section (1) of section 89 of that Act did not apply to any such allotment, provided that this power shall be limited:
 - (i) to the allotment of equity securities in connection with any rights issue in favour of ordinary shareholders on the register of members at such record date or dates as the Directors may determine for the purpose of the issue where the equity securities respectively attributable to the interests of all such holders of ordinary shares are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them at any such record date or dates so determined, provided that the Directors may make such arrangements in respect of overseas holders of shares and in respect of fractional entitlements as they consider necessary or convenient;
 - (ii) to the allotment of equity securities pursuant to the terms of any share scheme for employees approved by the members in General Meeting; and
 - (iii) to the allotment otherwise than pursuant to sub-paragraphs (i) and (ii) above of equity securities up to an aggregate nominal amount of £206,000
and shall expire on the date of the next Annual General Meeting of the Company after the date of passing this Resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that this power has expired.

Notice of Annual General Meeting

9. To consider and, if thought fit, to pass the following Resolution which will be proposed as a Special Resolution:
THAT the Articles of Association of the Company be altered by the insertion in Article 9 of the word "not" after the words "those rights shall" and before the words "be deemed to be varied" as they respectively appear in that Article.

Registered Office:
North Place,
82 Great North Road,
Hatfield,
Hertfordshire AL9 5BL.

By order of the Board
J. H. Bissell
Secretary.

27th April 1989.

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. To be valid, proxies must be lodged with the registrars of the Company not later than 48 hours before the time appointed for the meeting.
2. Copies of all service agreements of more than one year's duration between the Company and the Directors will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the date of the meeting (Saturdays and bank holidays excepted) and at the place of the meeting from 15 minutes before and until the end of the meeting.